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ACE Research Vignette: Exploring the “Dark Side” of Entrepreneurship

This series of research vignettes is aimed at sharing current and interesting research findings from our team of international Entrepreneurship researchers. In this vignette, Dr Rene Bakker explores “the dark side” of entrepreneurship.

Background and Research Question

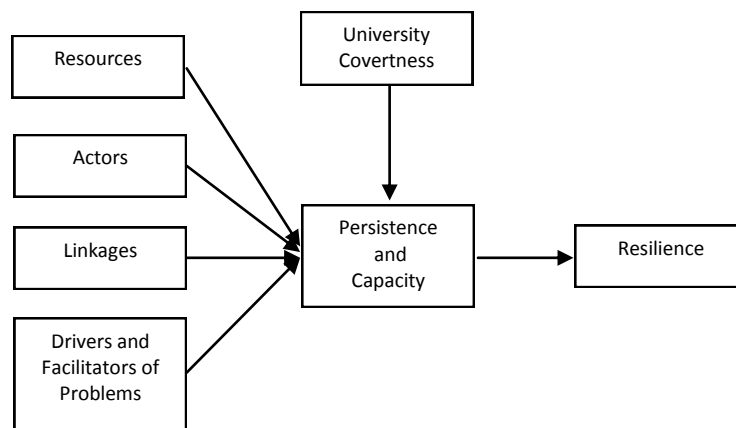
Entrepreneurship is often understood to be inherently ‘good’. Terms often associated with entrepreneurship comprise the gamut of favourable connotations from “innovation” and “change” to “growth” and “economic development”. However, if we understand entrepreneurship as being about the discovery and exploitation of opportunities, there really is not necessarily any moral good in entrepreneurship *per se*.

The present research project tried to empirically trace three instances of “dark” entrepreneurship, that is to say, entrepreneurship that is both illegal and covert, for which such data is historically available. Assuming that in order for people to consider “dark entrepreneurship” such efforts should be resilient against attempts to disrupt the venture, our focus is on what makes “dark networks” (one example of dark entrepreneurship) resilient:

What are the factors that render dark networks more or less resilient?

From previous research, a number of prior indications were available (see Figure 1), which formed the starting point of our study.

FIGURE 1. A Model of Dark Network Resilience (from Milward & Raab, 2006: 349).



How we investigated this

The problem with studying dark entrepreneurship is that it is, by very definition, covert. This places an emphasis on studying historical cases, for which trials, testimony, and reports are available as a data sources. We selected three, namely Umkhonto we Sizwe (MK), the armed wing of the African National Congress (ANC); the Fuerzas Armadas Revolucionarias de Colombia (FARC); and the Liberation Tigers of Tamil Eelam (LTTE).

The Australian Centre for Entrepreneurship Research



Between December 2006 and July 2010, we took a broad approach toward gathering data, applying what is known as data triangulation, i.e. combining multiple sources of data to obtain a more accurate picture. We also consulted extensively with intelligence experts from around the world on the nature of the three networks that we studied. For example, most data on MK was collected through submissions by the ANC to the Truth and Reconciliation Commission of South Africa, which has in turn documented MK's history, operational activity, and historical facts in exchange for amnesty for all who testified, as long as the truth was told. As such, many of MK's internal documents are, perhaps surprisingly, publicly available and included in our analysis.

What we found

This exploratory study found that the resilience of dark networks and the entrepreneurial actions behind it result from a complex interplay between situational context and network level variables that is beyond the confines of a 2-page vignette to explain. One specific factor that clearly emerged, however, from our study that some might find surprising is the importance of *legitimacy*. In order to be resilient, our findings indicate, dark entrepreneurship, just like more common and acceptable forms of entrepreneurship, needs to appeal to at least some stakeholders in the dark network's environment. This finding constitutes quite a leap from many policy initiatives that are geared solely toward the eradication of dark entrepreneurship by blunt force. We find that such blunt attempts can have unintended side effects: For every MK combatant killed by police fire, ten new ones stood up to join the early entrepreneurs who started the initially small network.

Another important finding pertains to *speed*: to a large extent, dark entrepreneurship resilience is based on how rapidly a dark network can adapt to the changes that have occurred in its capabilities after a shock of major proportions. If a government or other can follow up its gains and delay this adaptation, dark entrepreneurs are more likely to falter. MK made a juvenile mistake that almost destroyed it, and it was brought slowly back to life by the repression, violence, and international outrage against apartheid and the Afrikaner regime in Pretoria. The LTTE adapted well in its tactics and in maintaining its operational activity until its entrepreneur and central leader, Prabhakaran, became unable or unwilling to change tactics that had served him well for many years.

More generally, the variables of legitimacy and speed indicate that dark entrepreneurship might, in its functioning and antecedents, be more alike other types of entrepreneurship than some might like us to believe.

Business and Policy Advice

In essence, the policy problem regarding dark entrepreneurship is to limit it, or change it in more productive activities. With regard to limiting it, it seems that if you can reduce the resource denominator, the dark entrepreneur will face constrained choices about its options and its resilience should decrease. Our results thus imply that policymakers should pay close attention to the management of public opinion by avoiding collateral damage to the degree possible, or using what has also been called "the hearts and minds" approach.

This research vignette was written by: Dr Rene Bakker, postdoctoral research fellow at ACE <http://staff.qut.edu.au/staff/bakkerr/>

Check the source & learn more from:

Bakker, R. M., Raab, J., & Milward, H. B. A preliminary Theory of Dark Network Resilience. *Journal of Policy Analysis and Management*, 31(1): 33–62.
Baumol, W. J. 1990. Entrepreneurship: Productive, Unproductive, and Destructive. *Journal of Political Economy*, 98(5): 893-921.
Milward, H.B., & Raab, J. 2006. Dark Networks as Organizational Problems: Elements of a Theory. *International Public Management Journal*, 9(3): 333-360.

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